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FISCAL IMPACT REPORT

ORIGINAL DATE 2/26/07
 LAST UPDATED 3/03/07 HB 1058

SPONSOR Barerras

SHORT TITLE Include Wastewater in Property Valuation SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	*See Narrative		Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 1058 amends the Property Tax Code section on special valuation. Currently, pipelines, tanks, sales meters, plants and hydrants used in the transmission, storage, measurement or distribution of water are subject to the special valuation. HB1058 would add “lift stations” and “treatment facilities” to the list of property and adds “collection,” “treatment,” and “discharge” as uses of the equipment as it relates to water and wastewater.

“Commercial wastewater property” is defined as privately owned pipelines, lift stations, meters, treatment facilities, materials and supplies owned and operated as a utility for the purposes of collecting, transmitting, measuring, treating or discharging waste water. The property of the utility must be used for providing waste water service to the public and excludes buildings and improvements.

The value of wastewater property shall be determined by the lesser of four and half times the prior year operating revenues or a factor of 2.49 times either the 3 year average of thousands of gallons of wastewater or the prior year thousands of gallons of wastewater, whichever is greater. It is assumed that the factor is \$2.49 per thousand gallons.

FISCAL IMPLICATIONS

TRD estimates a minor impact of approximately \$40 thousand in lower property tax obligations, primarily in Valencia County. The fiscal impact on the counties will be indeterminate as property tax obligations are a function of the debt services needs and the operational needs.

SIGNIFICANT ISSUES

It is unclear whether HB1058 will affect the valuation of water related property due to the changes in the uses-collection, treatment, and discharge-and the change to the type of meter (current law refers to “sales meters” and HB1058 removes the word “sales”). To the extent that the special valuation method returns a lower value, this new language will reduce assessed property values as the language broadens the scope.

TECHNICAL ISSUES

TRD:

The proposed method of valuation is identical to the special method of valuation currently employed in assessing private water distribution companies currently specified in Section 7-36-28. Language of current statute should probably be amended to stating something similar to “assessed or taxable value is \$2.54 per thousand gallons of water treated” or 4.5 times revenue received. 3) The stipulation in current statute (Section 7-36-28 C. (4)) that: “The result of this calculation is the value of commercial water for property taxation purposes” is unclear because it does not indicate whether the “value of commercial water” is assessed or taxable -- assessed value divided by three. A similar qualification should probably also be added to Section 7-36-28 C. (5); “notwithstanding the calculations provided for in this subsection, the taxable value of the taxpayer’s commercial wastewater...”

NF/csd